



Monthly Economic Review

October 2023

MER/10/2023

Address: Siaka Stevens Street, P O Box 30, Freetown, Sierra Leone.

About the Monthly Economic Review (MER): The report analyses Sierra Leone's monthly macroeconomic developments, covering the four macroeconomic sectors- real, fiscal, monetary and external sectors. This edition analyses economic performance in October, 2023.

Executive Summary

Agricultural sector performance in October 2023 was mainly in cocoa production which marginally increased. Mining sector performance was mixed in October 2023. Similarly, Manufacturing sector performance was mixed as output of cement, paint, confectionaries and oxygen all increased but a decline in the production of maltina, beer, and stout. Year-on-Year headline inflation increased to 54.48 % in September 2023 from 50.94% in August, 2023, which was largely explained by economic spillover effects stemming from the prolong Russia-Ukraine war and Israel-Palestine conflicts, with increased energy prices, and depreciation of the Leone.

The government's fiscal operations (on cash flow basis) remain at a surplus of NLe120.39mn in October 2023, resulting to an increase in previous month's deficit of NLe1207.77mn. This was driven by the increase in miscellaneous items embedded in the domestic revenue generation. Total revenue for October 2023 expanded by 13.77% to NLe1,523.29mn, while government expenditure increased by 44.91% to NLe1402.90mn.

Broad Money (M2) expanded by 2.27% in October 2023 compared to 3.60% in September 2023, while Reserve money increased by 2.15% in October 2023 compared to 2.50% in September 2023. The growth in M2 was driven mainly by increase in Net Domestic Assets (NDA) of the banking system. Narrow Money (M1) increased by 2.31%, which was driven by the growth of demand deposits by 2.58% and increase in currency outside banks by 2.02%. The yield on the 364-day T-bill increased to 29.35% in October 2023, from 29.13% in September 2023, whilst there were no markets in the 182-day and 91-day tenors.

The gross international reserves of the Bank of Sierra Leone amounted to US\$432.82million in October 2023, from US\$437.28 million in September 2023. Net outflows in October 2023 amounted to US\$4.49 million, compared to the net outflows of US\$29.17 million recorded in September 2023. The rest of the changes in reserves were primarily driven by revaluation adjustments. The monthly average exchange rates of the Leone against the US dollar depreciated in all foreign exchange markets segments. On the buying side, the Leone depreciated in the official market, bureau market and parallel market by 1.21%, 1.29% and 2.01% averaging NLe22.40/US\$1, NLe22.38/US\$1 and NLe24.12/US\$1 respectively and across commercial banks by 1.05% averaging NLe22.38/US\$1.

on the selling side the Leone depreciated in the official market, bureau market and parallel market by 1.21%, 1.44% and 1.68% averaging NLe22.62/US\$1, NLe22.61/US\$1 and NLe24.45/US\$1 respectively and across commercial banks by 1.18% averaging NLe22.67/US\$1.

Real Sector Development

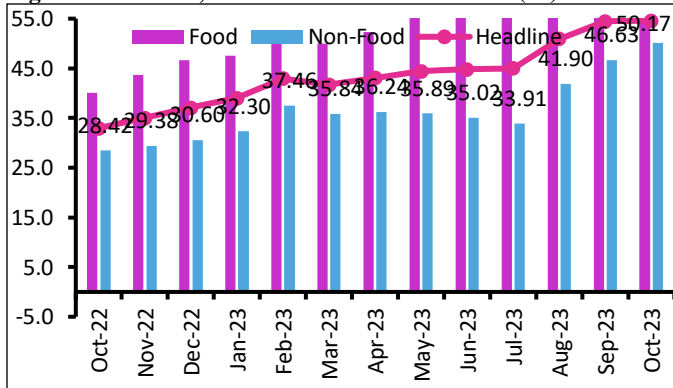
(i) Production

Agricultural sector performance in October 2023 was mainly in cocoa production which marginally increased. Mining sector performance was mixed in October 2023 as key minerals such as well as gold, bauxite, ilmenite and iron ore productions recorded an increase, whilst there was decreased in the production of diamond, rutile, zircon, and other minerals productions. Similarly, Manufacturing sector performance was mixed as output of cement, paint, confectionaries and oxygen all increased but a decline in the production of maltina, beer, and stout.

Price Development

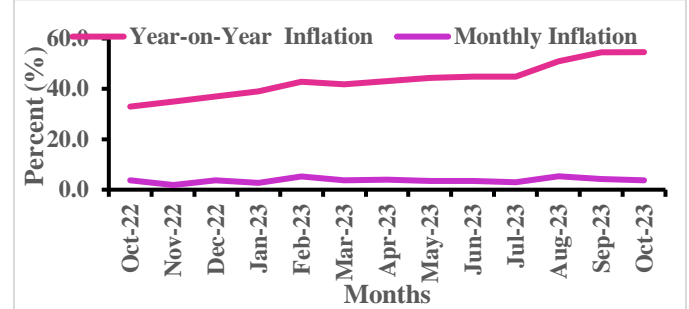
Annual headline inflation increased to 54.59 % in October 2023 from 54.48% in September, 2023 with food inflation decreasing to 60.34% and non-food inflation increasing to 50.17%. The inflationary pressures were influenced by economic spillover effects stemming from the prolong Russia-Ukraine war and Israel-Palestine conflicts, with increased energy prices, and depreciation of the Leone. Table 1 shows that alcoholic beverages, tobacco, transportation, housing, water, electricity, gas, and other fuels, restaurants and hotels, and communication, are the major contributors to headline inflation. Furthermore, monthly headline inflation decreased to 3.78% in October 2023 from 4.35 % in September, 2023. Figures 1 and 2 show the inflation rates for October 2023 and the 12 months preceding October 2023.

Figure 1: Headline, Food and Non-Food Inflation (%)



Source: Statistics Sierra Leone

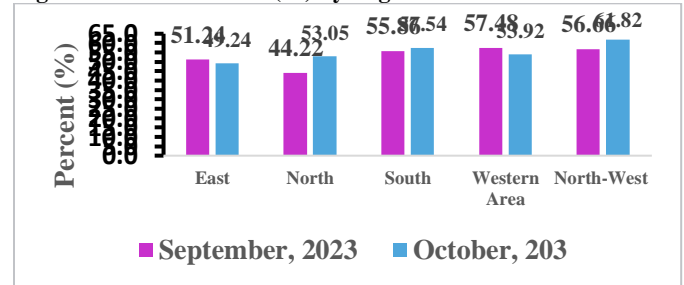
Figure 2: Year-on-year Inflation and Monthly Inflation Rates (%)



Source: Statistics Sierra Leone

On regional basis, annual inflation increased in Southern, Northern and North-West regions and decreased in the Eastern region and Western area in October 2023 compared to August 2023. The North-West region had the highest inflation rate at 61.82%, followed by the Southern region at 57.54%. The Western area and Northern region had inflation at 53.97% and 53.05% respectively whilst the Eastern region had inflation rate at 49.24%. Figure 3 shows inflation rates by regions.

Figure 3: Inflation Rates (%) by Regions



Source: Statistics Sierra Leone

Table 1: Monthly Inflation by Component (%)

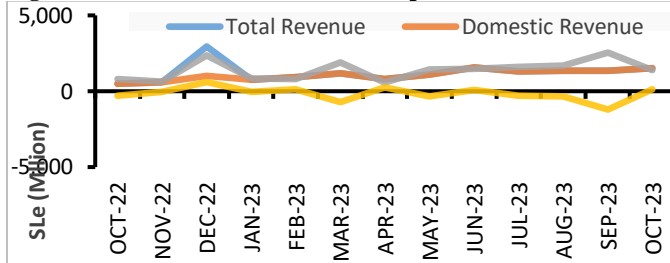
Column1	Weight (%)	Sept-23	Oct-23	Change	Direction
Food	40.33	64.67	60.34	(-4.33)	Down
Non-Food	59.67	46.63	50.17	3.54	Up
Alcohol Beverages & Tobacco	1.00	54.48	50.16	(-4.32)	Down
Clothing	7.70	41.00	46.87	5.87	Up
Housing	8.90	32.11	34.29	2.18	Up
Furnishings	5.60	45.91	42.95	(-2.96)	Down
Health	7.60	47.37	55.09	7.72	Up
Transport	8.60	51.78	48.78	(-3.00)	Down
Communication	4.70	46.56	42.87	(-3.69)	Down
Recreation	2.60	56.82	60.42	3.60	Up
Education	3.10	0.00	48.90	48.90	Up
Hotels	6.10	71.94	73.50	1.56	Up
Miscellaneous	3.90	51.92	56.25	4.33	Up
All Items	100.00	54.48	54.59	0.11	Up

Source: Statistics Sierra Leone

Fiscal Sector Development

The government's fiscal operations (on cash flow basis) remain at a surplus of NLe120.39mn in October 2023, resulting to an increase in previous month's deficit of NLe1207.77mn. This was mainly driven by the increase in miscellaneous items embedded in the domestic revenue generation. Total revenue for October 2023 expanded by 13.77% to NLe1,523.29mn, higher than the budgeted target by 16.35%, mainly due to increase in miscellaneous items and foreign grants. However, Excise, customs and income tax all decreased while, goods and services tax increased during the review period. Figure 4 shows the fiscal profile for October 2023 and the 12 months preceding October 2023.

Figure 4: Government Revenue and Expenditure (in NLe million)



Source: Bank of Sierra Leone

Government expenditure increased by 44.91%, resulting in a surplus of NLe120.39mn. Despite this decrease, the actual expenditure of NLe1402.90mn was still higher than the budgeted ceiling of NLe777.18mn by 80.51%. The decrease in expenditure was mainly due to decreases in other expenditure and debt service payments. The expenditure on debt service increased to NLe211.47mn in October, resulting from a decrease in domestic debt interest payment by 10.77% from the target amount of NLe236.99mn.

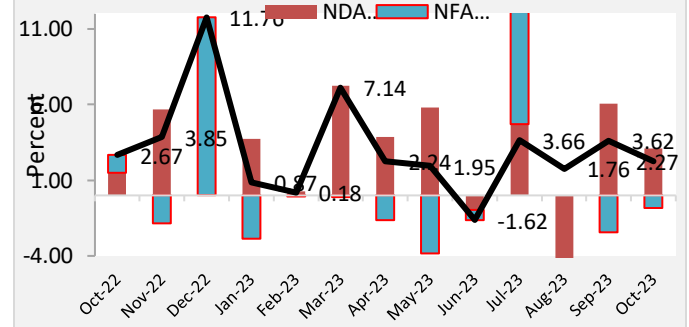
Monetary Sector Development

(i) Monetary Aggregates

In October 2023, there were mixed movement in key monetary aggregates as Broad Money (M2) expanded by 2.27% in October 2023 compared to 3.60% in September 2023. The growth in M2 was driven mainly by increase in Net Domestic Assets (NDA) of the banking system. NDA grew by 3.63% due to the expansion in domestic credit.

Credit to the private sector by commercial banks increase by 5.01%. However, the NFA of the banking system decrease by 5.32%. Figure 5 shows the M2 growth, NDA and NFA for October 2023 and the 12 months preceding October 2023.

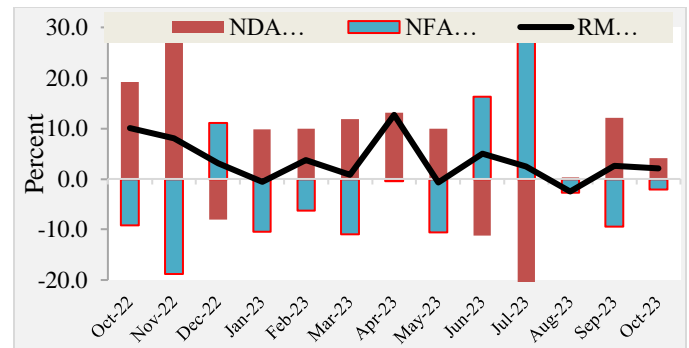
Figure 5: M2 growth, and contributions of NFA and NDA



Source: Bank of Sierra Leone

In addition, Narrow Money (M1) increased by 2.31%, which was driven by the growth of demand deposits by 2.58% and increase in currency outside banks by 2.02%. Quasi money increased by 2.24%, reflecting the growth in all components. The growth was reflected in foreign currency, time and savings deposits and other deposits. On the liability side, reserve money increased by 2.15% in October 2023 compared to 2.50% in September 2023. Figure 6 shows the RM growth, NDA and NFA for October 2023 and the 12 months preceding October 2023.

Figure 6: Reserve money growth and contributions of NFA and NDA to the growth

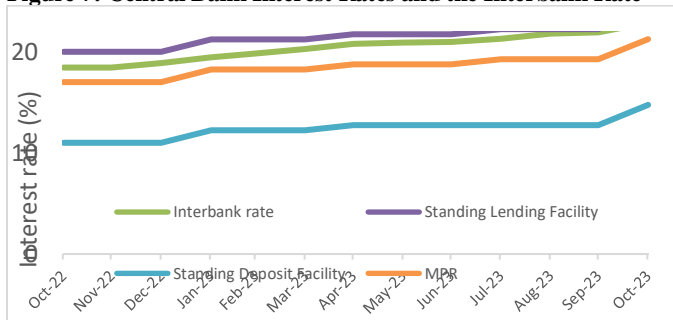


Source: Bank of Sierra Leone

(ii) Interest Rates

The Monetary Policy Rate, Standing Lending Facility, and Standing Deposit Facility rates all increased in October 2023. The interbank rate slightly increased but remained within the Policy Corridor Rate. The commercial bank prime lending (interest rate spread) however rose to 19.66% and 21.23% respectively while savings rate was unchanged at 2.23% in the same period.

Figure 7: Central Bank Interest Rates and the Interbank Rate



Source: Bank of Sierra Leone

In October 2023, the yield on the 364-day T-bill increased marginally whilst there were no markets in the 182-day and 91-day tenors. The yield on 364-day T-bills increased to 29.35% in October 2023, from 29.13% in September 2023.

External Sector Development

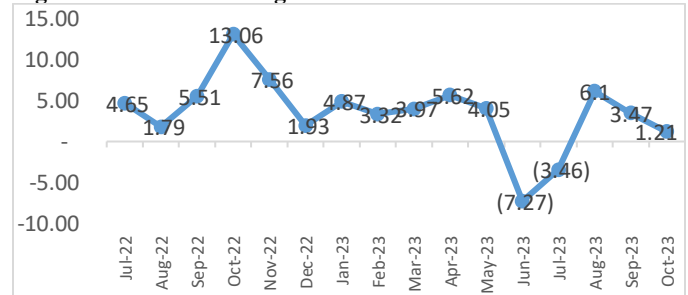
(i) Exchange Rate Developments

On both the buying and selling sides, monthly average exchange rates of the Leone against the US dollar depreciated in all foreign exchange markets segments. With reference to the buying side, the Leone depreciated in the official market, bureau market and parallel market by 1.21%, 1.29% and 2.01% averaging NLe22.40/US\$1, NLe22.38/US\$1 and NLe24.12/US\$1 respectively and across commercial banks by 1.05% averaging NLe22.38/US\$1.

Similarly, on the selling side the Leone depreciated in the official market, bureau market and parallel market by 1.21%, 1.44% and 1.68% averaging NLe22.62/US\$1, NLe22.61/US\$1 and NLe24.45/US\$1 respectively and across commercial banks by 1.18% averaging

NLe22.67/US\$1. The premium between the Official and Parallel rates narrowed to 7.22% (NLe1.61/US\$1) in October 2023 from 8.83%, (NLe1.90/US\$1) in September 2023. Figure 8 shows the trend in the official exchange rate markets.

Figure 8: Official Exchange Rates

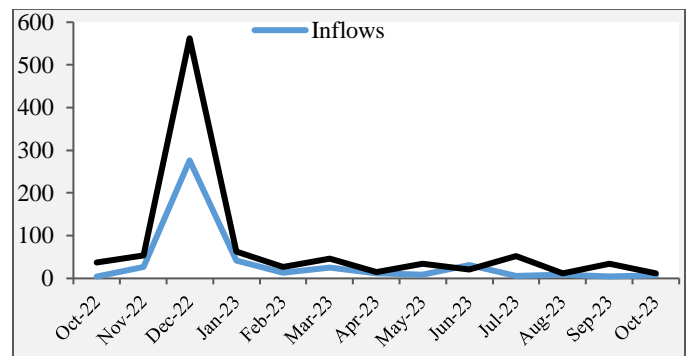


Source: Bank of Sierra Leone

(ii) Gross Foreign Exchange Reserves

The gross international reserves of the Bank of Sierra Leone amounted to US\$432.82million in October 2023, from US\$437.28 million in September 2023. Net outflows in October 2023 amounted to US\$4.49 million, compared to the net outflows of US\$29.17 million recorded in September 2023. The rest of the changes in reserves were primarily driven by revaluation adjustments.

Figure 9: Foreign Exchange Flows



Source: Bank of Sierra Leone

5. Conclusion

Production performance of various sectors were mixed in October 2023. Cocoa production marginally increased. Mining sector performance was mixed in October 2023. Similarly, Manufacturing sector performance was mixed as output of cement, paint, confectionaries and oxygen all increased but a decline in the production of maltina, beer, and stout. Year-on-Year headline inflation increased to 54.48 % in September 2023 from 50.94% in August, 2023, which was largely explained by economic spillover effects stemming from the prolong Russia-Ukraine war and Israel-Palestine conflicts, with increased energy prices, and depreciation of the Leone.

The government's fiscal operations (on cash flow basis) remain at a surplus of NLe120.39mn in October 2023, resulting to an increase in previous month's deficit of NLe1207.77mn. This was driven by the increase in miscellaneous items embedded in the domestic revenue generation. Total revenue for October 2023 expanded by 13.77% to NLe1,523.29mn, while government expenditure increased by 44.91% to NLe1402.90mn.

Broad Money (M2) expanded by 2.27% in October 2023 compared to 3.60% in September 2023, while Reserve money increased by 2.15% in October 2023 compared to 2.50% in September 2023. The growth in M2 was driven mainly by increase in Net Domestic Assets (NDA) of the banking system. Narrow Money (M1) increased by 2.31%, which was driven by the growth of demand deposits by 2.58% and increase in currency outside banks by 2.02%. The yield on the 364-day T-bill increased to 29.35% in October 2023, from 29.13% in September 2023.

The monthly average exchange rate on both the buying and selling fronts of the Leone depreciated against the US dollar in all foreign exchange markets segments. Parallel rates narrowed to 7.22% (NLe1.61/US\$1) in October 2023 from 8.83%, (NLe1.90/US\$1) in September 2023.